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LPG MARKET ASSESSMENT STUDY FOR MOZAMBIQUE—PROPOSED USAID PROGRAMS

JUNE 2005

This publication was produced for review by the United States Agency for International Development. It was prepared by Nexant, Inc. under Contract No. EPP-I-00-03-00007-00

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I.1 OBJECTIVE

The objective of this activity is to develop and implement customer awareness programs that promote the use of LPG among target customer groups in Pemba, specifically in households and SMEs.

I.2 STATEMENT OF WORK

Effective communications between the LPG company and its clients is crucial for the successful penetration of the market. At present, no focused attempt has been made to communicate the benefits of LPG and hence promote the use of LPG among target segments of the local population.

A market survey of households and food vendors in Pemba indicated that consumers demand cooking fuels that are efficient, easy to use, convenient, inexpensive, and readily available. In the short-term, given the market structure of LPG in Mozambique and the logistics of transporting fuels to Pemba, there is little that can be done to lower LPG prices. Thus certain large sections of society that are mired in poverty or have low household income will just not be able to afford LPG, and it is improbable that they will shift from firewood or charcoal. The strategy should thus be to focus on segments of the population that have incomes that can support the purchase of LPG.

The customer awareness program should thus focus on how LPG can satisfactorily meet the other key factors that influence customer demand for fuels. A marketing strategy that clearly conveys this message to customers will capture households and SMEs that can potentially afford to purchase LPG at current prices but are reluctant to do so due to poor knowledge of the product and its benefits.

The following tasks should be completed to develop effective customer awareness and education programs:

- Profile customer segments in Pemba based on the findings of the market surveys conducted under earlier USAID contracts.
- Develop clear advertising objectives and communication plans centered on creating consumer awareness and changing people's attitudes towards LPG products and the company.
- Develop an approach targeted at specific customer segments in the lower income households where there is a perceptible price barrier, in addition to poor knowledge and misconceptions about LPG.
- Explore, identify and develop a combination of advertising and communication avenues that will be most effective in educating customers and other stakeholders. Channels of communication should include word of mouth campaigns (via select wholesalers, retailers and influential members of the community), television

advertisements (broadcast on TVM), radio transmissions (on Radio Moçambique), newspapers (Noticias), mobile phone advertising (via Mcell & Vodacom), and strategically located billboards/signage.

- Develop compelling and effective messages that can be broadcast on the appropriate media.
- Develop a monitoring system to assess the effectiveness of the awareness and education programs. This might include targeted focus group meetings to assess customer response to programs.

I.3 RESOURCES REQUIRED

The following staff will be required to implement the above scheme

- Market survey specialist
- Marketing/Advertising specialist

The consultants/experts need to liaison with the LPG company and other stakeholders to develop and implement a clear and effective communication and marketing strategy.

Market strategies and messages should be designed and implemented in Portuguese.

I.4 DELIVERABLES AND MILESTONES

- Identify target customer segments to deliver the advertisement campaign.
- Develop clear messages that effectively impart the message and resonate with the local population.
- Communicate the message using the most effective and appropriate communication medium.
- Prepare a monitoring system to evaluate and track program success.
- It is expected that this study will be implemented in about 12 weeks.

2.1 OBJECTIVE

The objective of this activity is to implement promotional activities that effectively communicate the brand message and the benefits of LPG to various stakeholders in Pemba.

2.2 STATEMENT OF WORK

Implement a series of promotional activities that effectively communicate the brand message and the benefits of LPG to target customer groups. The purpose of this task is to aggressively promote LPG to the point that it is seen as the only desirable cooking fuel, and to create a demand. This is essential to ensure the successful launch of the product in new market segments. Suggested promotional programs include:

- Organize public meetings to educate customers about the benefits of LPG, and the proper use and care of LPG appliances.
- Provide local community leaders and opinion makers with free LPG appliances to promote and disseminate the brand image and communicate the benefits of LPG. This could include provision of LPG appliances to food vendors who are very visible in the market place and can be used to communicate the benefits of LPG as a clean-burning and efficient cooking fuel.
- Promote and perhaps subsidize food supply to children in public schools that largely cater to children from poor households. The school could be supplied with LPG to prepare food and at the same time publicize the benefits of LPG.
- Promote a “sweepstake/lottery” to distribute, free of charge, a few one and two burner stoves (value ranging from US\$ 9.00 to 20.00 per unit). This will create a “buzz” about the product in the marketplace and give it high visibility.
- Develop a monitoring system to assess the effectiveness of promotion programs. This might include targeted focus group meetings to assess customer response to programs.

2.3 RESOURCES REQUIRED

The following staff will be required to implement the above scheme

- Marketing/Advertising specialist

The consultants/experts need to liaison with the LPG company and other stakeholders to develop and implement effective promotion programs. All promotion programs and messages should be designed and implemented in Portuguese.

2.4 DELIVERABLES AND MILESTONES

- Identify appropriate promotional programs that effectively deliver the brand message and communicate the benefits of LPG.

- Develop clear messages that effectively impart the message and resonate with the local population.
- Prepare a monitoring system to evaluate and track success of promotional programs.
- It is expected that this study will be implemented over a period of 24 weeks.

3.1 OBJECTIVE

The objective of this activity is to reduce the price burden on customers through measures to lower initial investment on LPG and appliances and provide practical and flexible payment options for filling LPG cylinders.

3.2 STATEMENT OF WORK

One of the key obstacles to LPG penetrating lower-income customer segments is the price of LPG appliances and the cylinder. While the appliances and cylinders are not entirely unaffordable, customers in this market segment are very conscious of “first cost”. It is the initial outlay of funds required to purchase the appliance and place a deposit on the cylinder, which places a hardship on customers. While cylinder refill costs are not an inhibiting factor for customers in targeted market segments, it is the one-time outlay of funds that is a hardship to customers used to purchasing small quantities of charcoal every few days, which requires a lower outlay of cash for each purchase.

This task will evaluate and design the following tasks:

- Review micro-credit programs used elsewhere in the developing world to promote sales of LPG.
- Examine micro-credit facilities available in Pemba.
- Work with local banks, the LPG company, appliance retailers and donor agencies to design a micro-credit facility suitable for purchase of LPG appliances. The scheme should define the appropriate interest rate and repayment schedule considering the recovery of funds and expected default rates.
- Design an installment payment plan for filling of LPG cylinders. Define the appropriate installment payments and the repayment schedule.
- Evaluate the use of micro-credit to stimulate the growth of SMEs and thus increase demand for LPG.
- Develop a monitoring system to assess the effectiveness of micro-credit and installment payment plans.

3.3 RESOURCES REQUIRED

The following staff will be required to implement the above scheme

- Micro-credit/financing specialist

The consultants/experts need to liaison with the local banks and other stakeholders to develop and implement appropriate micro-credit programs.

3.4 DELIVERABLES AND MILESTONES

- Identify appropriate micro-credit programs that help mitigate the problems associated with high first-costs of LPG appliances and cylinder.
- Develop a micro-credit program in conjunction with local banks and donor agencies and define the interest rate and repayment period.
- Prepare a monitoring system to evaluate and track success of micro-credit programs.
- It is expected that this study will be implemented over a period of 16 weeks.

4.1 OBJECTIVE

The objective of this activity is to implement training programs for LPG companies and other stakeholders in Northern Mozambique to ensure successful implementation of goals and objectives of marketing plans, awareness campaigns and promotional programs.

4.2 STATEMENT OF WORK

Trained professional staff are essential to implement and achieve the goals and objectives of marketing plans, awareness campaigns and promotional programs. Since there are no trained LPG professionals in the Pemba region, it will be necessary to hire qualified professionals and train them in all aspects of LPG distribution. Since such specialized training is not locally available, it might be necessary to arrange training in neighboring South Africa or perhaps even Brazil, which like Mozambique is Portuguese-speaking.

This task will evaluate and design the following tasks:

- Assess and evaluate training needs for various stakeholders to implement successful LPG marketing strategies.
- Identify training resources and develop a phased training program.
- Assess training costs and liaise with stakeholders to raise the necessary funds.
- Facilitate the delivery of appropriate training programs to stakeholders.

4.3 RESOURCES REQUIRED

The following staff will be required to implement the above scheme

- LPG filling plant and distribution operations specialist
- HR training specialist

The consultants/experts need to liaison with the LPG company and other local stakeholders to develop and implement appropriate training programs.

4.4 DELIVERABLES AND MILESTONES

- Identify appropriate HR training programs for project stakeholders.
- Identify resource requirement for training needs.
- Facilitate funding and delivery of training programs.
- It is expected that this study will be implemented over a period of 16 weeks.

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